SBC/Ameritech Merger
Partial Summary of Conditions Potentially
Imposed by Illinois Commerce Commission

The Illinois Commerce Commission ("Commission" or "ICC") has reached tentative conclusions and findings related to certain aspects of the merger of SBC/Ameritech, primarily related to service quality and regulatory impact of the merger. The Commission has not completed its deliberations in this proceeding, and significant issues remain unresolved, including the issue of the merger's impact upon competition.

However, contained below is a summary of all conditions which the Commission has agreed to impose as of Friday, September 10th on the merger of SBC and Ameritech as applied under section 7-204(f) of the Illinois Public Utilities Act. Section 7-204(f) provides that the Commission, in its approval of a reorganization, may impose "such terms, conditions or requirements as, in its judgment, are necessary to protect the interests of the public utility and its customers." The conditions which the Commission has imposed are summarized below under the relevant section of the Act which governs the decisions of the Commission in this matter. This list will be updated as the Commission continues to reach tentative conclusions leading up to its final vote on the merger of SBC/Ameritech.

All conditions summarized below are subject to change in the Commission's final order. The imposition of these conditions, and others to follow, will only be imposed upon SBC/Ameritech if the Commission enters an order approving the merger. The Commission has reached no formal decision as to approval or disapproval of the merger.

Conditions Imposed under Section 7-204(f) related to Section 7-204 (b)(1)

I. Out of Service Greater than 24 Hours ("OOS>24")

- SBC/Ameritech must pay a $15 million penalty if they miss the current OOS>24 hour standard in the last 30 days of a 180 day period to begin upon the close of the merger
- For subsequent annual periods beginning one year after the end of the 180 day period mentioned above, SBC/Ameritech must pay a $30 mm penalty if they miss the current OOS>24 hour standard for subsequent annual periods
- The existing $4 mm permanent rate reduction contemplated in Ameritech's Alternative Regulation Plan ("Alt Reg") remains unchanged and imposed in addition to other penalties imposed above
- Such conditions are to remain in place for five years after closing, but SBC/Ameritech may petition the Commission after three years that such conditions are no longer necessary. The Commission retains sole discretion in granting such petition

II. Network Infrastructure Investment

- Renewal of Ameritech's $3 billion investment in network infrastructure in Illinois for a period of 5 years or as modified by the Commission in the upcoming review of Ameritech's "Alt Reg" plan
- SBC/Ameritech must issue an annual report detailing for the Commission the areas of investment (both geographical and technological) for the five years of the investment period
- Such conditions are to remain in place for five years after closing, but SBC/Ameritech may petition the Commission after three years that such conditions are no longer necessary. The Commission retains sole discretion in granting such petition

III. 911 Practices of SBC/Ameritech

- All operational changes to the 911 system must receive Commission approval prior to the change being made by the companies
- All changes made by SBC/Ameritech must be transparent to the system and its subscribers

IV. Best Practices of the Combined Companies

- Issuance by SBC/Ameritech of an annual report detailing the best practices adopted by the companies for five years after closing
- Such conditions are to remain in place for five years after closing, but SBC/Ameritech may petition the Commission after three years that such conditions are no longer necessary. The Commission retains sole discretion in granting such petition

V. Use of TRI to Serve Disabled Customers

- SBC commitment to use its research and development subsidiary, TRI, to serve Illinois' disabled customers

Conditions Imposed under Section 7-204(f) related to Section 7-204 (b)(2)

VI. Updated Cost Allocation Manuals

- Updated Cost Allocation Manuals under ICC rules governing telecommunications carriers in accordance with ICC Staff recommendations in order to ensure that there will be no unjustified cross-subsidization in the newly merged SBC/Ameritech. All submissions of updated Cost Allocation Manuals are to be audited by an independent third party which is to be paid for by SBC/Ameritech and determined by the Commission

Conditions Imposed under Section 7-204(f) related to Section 7-204 (b)(3)

VII. Access to Books, Accounts and Records of SBC/Ameritech

- ICC Staff to have access to all books, accounts, records, etc. of SBC/Ameritech in order to ensure that costs are fairly and reasonably allocated among the companies for ratemaking purposes. In addition, the Commission shall be reimbursed for all reasonable out of state travel expenses incurred by ICC Staff in fulfilling such condition

Conditions Imposed under Section 7-204(c)

VIII. Merger Savings Allocated to Ratepayers

- On a long-term basis, all merger related savings will be accounted for in the Commission's review of the Alternative Regulation Plan which governs Ameritech's retail rates
- On an interim basis until the Commission completes its review of Ameritech's Alternative Regulation Plan, 50% of the actual net savings realized by SBC/Ameritech as a result of the merger shall be allocated to competing telecommunications carriers in Illinois (through reduced rates on Unbundled Network Elements, interconnection and transport) and interexchange, wholesale and retail customers (through reduced access charges or per line credits)
    - "Savings" are defined as actual reductions in costs and expenses, not revenue enhancements realized by the companies as a result of the merger
    - SBC/Ameritech may recover costs directly associated with the utility's operations which are related to the merger
    - SBC/Ameritech must track actual merger-related savings for three years and submit such merger-related savings information to the Commission in its annual price cap filings

Other Conditions Imposed under Section 7-204(f)

IX. Shared Transport

- Adoption of SBC/Ameritech commitment to offer a "short-term" and a "long-term" "shared transport" to CLECs in Illinois. The provision of shared transport by SBC/Ameritech will allow CLECs to gain access to the portions of Ameritech's network which connect central phone offices to one another and allow for increased ability of competitors to provide local exchange service
    - SBC/Ameritech must provide the "short term" version of shared transport which SBC has offered to its competitors in Texas within 30 days of the Commission's final order or upon merger closing, whichever is sooner
    - SBC/Ameritech must provide the "long-term" solution within 1 year of merger closing, which will be a permanent solution and incorporate advanced technology to measure usage by CLECs for pricing purposes

X. Interconnection Agreements

- Adoption of series of definitive conditions related to interconnection agreements, which govern the contractual interactions of Ameritech and CLECs competing in Illinois
    - *Interconnection Commitment A*
        - All negotiated interconnection agreements (i.e. those not determined by state Commission arbitration) of SBC and Ameritech and any subsequently acquired ILEC, entered into before or after the merger, must be made available to Illinois CLECs upon request upon the close of the merger
        - Only those negotiated interconnection agreements which are not technically feasible in Illinois or contrary to Illinois law or policy may be excepted from such condition. Burden is on SBC/Ameritech to demonstrate that agreement is either not technically feasible or contrary to Illinois law or policy, with a Commission decision on an expedited basis
        - Pricing for interconnection agreements adopted into Illinois must ultimately be Illinois specific, but until Illinois specific pricing can be determined by the Commission, existing rates from adopted interconnection agreement go into effect, with differences subject to a reconciliation
    - *Interconnection Commitment B*
        - Establishes collaborative workshop to compare agreements SBC/Ameritech have made available in other states which

    CLECs desire in Illinois, as well as process for determining technical feasibility and other determinations

- *Interconnection Commitment C*
    - SBC/Ameritech must make available copies of all interconnection agreements from other states to the Commission prior to the close of the merger. Such agreements will be made available to CLECs for review
- *Interconnection Commitment D*
    - SBC/Ameritech must make available to CLECs in Illinois UNEs or interconnection agreements obtained by the SBC/Ameritech out-of-region CLEC if such provisions are technically feasible. CLECs do not have to be "similarly situated" to SBC/Ameritech out-of-region CLEC

XI. Operations Support Systems ("OSS")

- SBC/Ameritech shall improve OSS interfaces for Illinois CLECs in order that they may more effectively gain access to SBC/Ameritech's OSS. Such conditions will encourage facilities-based competition in the local exchange marketplace
    - *Application to Application Interfaces*
        - Deployment of commercially ready, industry standard OSS (EDI/EBI) to support pre-ordering, ordering, provisioning, maintenance and repair and billing through three phase process
            - Phase 1: Within 3 months of the close of the merger, SBC/Ameritech must provide a "plan of record" which includes assessment of existing OSS, business processes and rules, hardware capabilities, data networks and security issues
            - Phase 2: Collaborative process to begin at the conclusion of Phase 1 to last 3 months. Parties shall reach agreement on OSS interfaces, enhancements, business requirements, and change management process. A majority of CLECs may request arbitration by the Commission after one month. All disputes shall be resolved by the Commission
            - Phase 3: Within 12 months of completion of Phase 2 or a final arbitrated decision by the Commission, SBC/Ameritech would develop and deploy, on a phased-in basis, system interfaces, enhancements, and business requirements consistent with the agreements reached in Phase 2. The Commission shall arbitrate any disputes related to non-compliance
    - *Third Party Testing*

        - Commission shall retain an independent third party to assist in the phased process with regard to technical considerations. The third party will also conduct “New York” style testing during Phase 3 as defined by the Commission. Such third party shall be paid for by SBC/Ameritech and report to the Commission
    - *Graphical User Interfaces (GUI)*
        - Deployment of GUI, within a timeframe similar to that of application to application interfaces, for OSS using industry standards on a similar 3 Phase approach to application to application interfaces
    - *Direct Access to Service Order Processing Systems*
        - Development and deployment of direct access to SBC’s SORD or Ameritech’s SOAC service processing systems for resold services, individual UNEs, and combinations of UNEs within one year of request
        - CLEC and SBC/Ameritech must each pay 50% of the costs of development and deployment of such systems
        - Available for 30 months after closing

XII. Performance Measurements

- Implementation of 122 of 122 performance measurements determined by the Commission within 300 days of closing
    - If SBC/Ameritech can demonstrate technical infeasibility on any of 122 measurements, the Commission may grant a waiver
    - SBC/Ameritech shall pay $30 million to CLECs and community interests if they fail to implement 122 performance measurements within 300 days (excepting those subject to technical infeasibility as determined by the Commission). In addition, SBC/Ameritech must make an additional payment based upon the liquidated damage caps established in this proceeding. Additional fines shall not exceed $90 million
    - Once performance measures are implemented, SBC/Ameritech shall be subject to a $90 million annual cap on liquidated damages payable to CLECs
    - All performance measures must be based on comparison to performance Joint Applicants provide to their own operations. Burden of proof (preponderance of evidence) remains with Joint Applicants to demonstrate no retail analog exists and benchmark must be used
    - Requirement of independent audit of Joint Applicants’ systems, documentation and practices in order to ensure accurate and reliable compliance with such process, to be paid for by the Joint Applicants

XIII. Performance Monitoring Reports

- Commission and Staff shall have access to Joint Applicants’ performance monitoring website. SBC/Ameritech shall also issue performance monitoring reports on a quarterly basis in same fashion as commitments made to the FCC; all reporting, however, must detail performance relative to performance measurements on a carrier by carrier basis